

Message Text

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PAGE 01 EC BRU 06273 101755Z

41

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AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

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SUBJECT: FRANCE REJOINS THE SNAKE AND SWITZERLAND INVITED TO
CONTINUE DISCUSSIONS

REFS: A. EC BRUSSELS 5830, B. EC BRUSSELS 5626, C. EC BRUSSELS 5471

D. BERN 2563

1. SUMMARY. THE EC COUNTRIES PARTICIPATING IN THE SNAKE ANNOUNCED JULY 10 THE RE-ENTRY OF THE FRENCH FRANC INTO THE SNAKE. THESE COUNTRIES ALSO AGREED TO KEEP THE DOOR OPEN TO POSSIBLE SWISS ASSOCIATION WITH THE SNAKE. THEY INVITED SWISS AUTHORITIES TO PARTICIPATE IN THEIR NEXT DISCUSSIONS OF THIS ISSUE. FRENCH EFFORTS TO BROADEN THE NEGOTIATING ISSUES COULD, HOWEVER, BLOCK PROGRESS TOWARD SWISS ASSOCIATION. END SUMMARY

2. THE EC FINANCE MINISTERS AND CENTRAL BANK GOVERNORS OF THE COUNTRIES PARTICIPATING IN THE SNAKE MET IN BRUSSELS ON JULY 10

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PAGE 02 EC BRU 06273 101755Z

TO DISCUSS FRENCH RE-ENTRY AND SWISS ASSOCIATION WITH THE SNAKE.

IN A COMMUNIQUE AFTER THEIR MEETING, THE MINISTERS ANNOUNCED THAT FRANCE HAD FORMALLY RE-ENTERED THE SNAKE. THE SNAKE COUNTRIES ALSO DECIDED TO CONTINUE THEIR DISCUSSION WITH SWISS AUTHORITIES IN ORDER TO SEEK A FAVORABLE SOLUTION TO THE ISSUE OF SWISS ASSOCIATION. THE SWISS WERE INVITED TO ATTEND THE NEXT MEETING OF THE EC SNAKE COUNTRIES WHICH WILL BE HELD IN SEPTEMBER. THE MEETINGS' COMMUNIQUE INDICATED THAT THE SNAKE WAS A COMMUNITY INSTITUTION BUT IT WAS OPEN TO THIRD COUNTRIES WILLING TO ACCEPT ITS RULES.

3. SEVERAL EC OFFICIALS PRIVATELY EXPRESSED SATISFACTION OVER THE RESULTS OF THE MEETING. THEY NOTED THAT THIS WAS THE FIRST TIME THAT A NON-EC COUNTRY HAD BEEN INVITED TO PARTICIPATE IN AN EC FINANCIAL MEETING. DESPITE STRONG FRENCH OPPOSITION TO SWISS ASSOCIATION AT THIS TIME, THE MEETING AVOIDED A NEGATIVE OUTCOME ON THIS ISSUE. THE DOOR IS STILL OPEN TO SWISS ENTRY. EC OFFICIALS ADD, HOWEVER, THAT THE SWISS FACE TOUGH NEGOTIATIONS TO OVERCOME FRENCH OPPOSITION.

4. WE UNDERSTAND THAT FRENCH FINANCE MINISTER FOURCADE TOLD A SWISS OFFICIAL AFTER THE MEETING THAT FRANCE INTENDED TO BROADEN THE NEGOTIATIONS BEYOND JUST THE TECHNICAL ISSUES OF SWISS PARTICIPATION IN THE SNAKE. FOURCADE PLANS TO RAISE SUCH ISSUES AS SWISS TAX AND BANKING LAWS, CONTROL OF SWISS CAPITAL MARKETS, AND SWISS-EC COORDINATION OF ECONOMIC POLICY. THE SWISS HAVE REJECTED ANY LINK BETWEEN THEIR ASSOCIATION WITH THE SNAKE AND NEGOTIATIONS ON THESE BROADER ECONOMIC ISSUES. SWISS MISSION OFFICIALS CONCLUDE THAT FOURCADE'S COMMENT INDICATES FURTHER PROGRESS ON SWISS ENTRY MAY INDEED BE DIFFICULT. WE DO NOT KNOW, HOWEVER, IF THE OTHER FINANCE MINISTERS SUPPORT FRENCH EFFORTS TO BROADEN THE NEGOTIATIONS.

5. AS INDICATED IN REF A, SWITZERLAND RECENTLY MADE DEMARCHEs TO THE MEMBER STATES AND THE COMMISSION TO EMPHASIZE THEIR CONTINUED INTEREST IN ASSOCIATION. SWISS OFFICIALS HERE ARE GENERALLY ENCOURAGED BY THE RESULTS. ALL OF THE MEMBER STATES WERE REPORTEDLY INCLINED TOWARD SWISS ASSOCIATION, EXCEPT FRANCE AND BELGIUM. FRANCE WAS OPPOSED, PRIMARILY BECAUSE THE FRENCH GOVERNMENT WANTS TO AVOID THE POSSIBILITY THAT THE SWISS FRANC WOULD CAUSE THE SNAKE'S CENTRAL RATE TO APPRECIATE. THIS WOULD

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PAGE 03 EC BRU 06273 101755Z

ADD TO POSSIBLE FRENCH DIFFICULTIES IN STAYING WITHIN THE SNAKE'S MARGINS. BELGIUM, ON THE OTHER HAND, WANTS TO AVOID A CONFRONTATION WITH FRANCE ON THIS ISSUE. SWISS OFFICIALS SAY BELGIUM WOULD PREFER NOT TO TAKE SIDES. BOTH THE DUTCH AND GERMANS STRONGLY FAVOR SWISS ASSOCIATION, HOWEVER, CHANCELLOR SCHMIDT REPORTEDLY WROTE A LETTER TO Giscard TO INDICATE HIS SUPPORT FOR SWISS ASSOCIATION. MYERSON

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